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Tax-Exempt Status of 4-H Organizations Authorized to Use the 4-H Name and Emblem



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The Cooperative Extension System, a nationwide educational network established through legislation, is a partnership of the U.S. Department of Agriculture, state land-grant universities, and county government.

The Cooperative Extension System's programs are open to all citizens without regard to race, color, sex, disability, religion, age or national origin. If you feel these policies have not been properly observed, write to the Secretary of Agriculture, USDA, Washington, DC 20250.

Questions of a technical nature are not covered in this publication, because such matters are the prerogative of the Internal Revenue Service. All technical tax questions should be referred to the local Internal Revenue Service office.

Tax-Exempt Status of 4-H Organizations Authorized to Use the 4-H Name and Emblem

Federal income tax exemption status for 4-H organizations is a privilege. It provides opportunities to expand 4-H programs to serve important needs of youth by enabling taxpayers—individuals and businesses—to claim deductions for contributions to 4-H.

This brochure is for use by Cooperative Extension Service personnel. It is designed to answer most questions on matters relating to—

- The tax exempt status of 4-H organizations and affiliated groups, and
- The types of contributions to 4-H that a taxpayer or donor can claim as a deduction on a Federal income tax return.

The Internal Revenue Service (IRS) ruling letter of February 9, 1973, recognized the tax exemption status of 4-H Clubs and affiliated 4-H organizations which are organized and operated under the guidance and control of the Cooperative Extension Service. This guidance and control must be in keeping with the "Regulations Governing the Use and Authorization of the Name and Emblem of 4-H Club Work," and be in accordance with the policy statement in chapter XI, section 8.2 of the Administrative Handbook for Cooperative Extension Work.

Section I -- Rulings and Responsibilities

1

Q. What is a 4-H organization?

A. Any organization which functions for the purpose of furthering 4-H objectives and projects, and which has been authorized to use the 4-H name and emblem in accordance with chapter XI of the Administrative Handbook for Cooperative Extension Work. This includes, but is not limited to, local 4-H Clubs; county, regional or State 4-H Councils; county, regional or State 4-H Committees; 4-H leader associations; county, regional or State 4-H Foundations; authorized 4-H camps and training centers; and funds authorized to use the 4-H name and which expend funds exclusively for 4-H purposes; and so forth.

2

Q. Are 4-H Clubs and affiliated 4-H organizations exempt from the payment of income taxes?

A. Yes. A ruling issued to the Department of Agriculture by the Internal Revenue Service April 24, 1946, recognized that 4-H Clubs were exempt from Federal income tax under section 101(6) of the Internal Revenue Code of 1939, which corresponds to section 501(c)(3) of the 1986 Code. A ruling issued to the Department of Agriculture by the Internal Revenue Service February 9, 1973, recognized that all of the affiliated 4-H organizations authorized to use the 4-H name and emblem by the Department of Agriculture are eligible for inclusion in the original ruling of April 24, 1946. In this brochure, 4-H Clubs and affiliated 4-H organizations will be referred to collectively as 4-H organizations. (Tax-exempt status does not apply to commercial concerns issued authorization permits to produce specific items for 4-H use.)

3

Q. Are 4-H organizations private foundations?

A. No. The ruling issued to the Department of Agriculture by the Internal Revenue Service February 9, 1973, stated that both 4-H Clubs and affiliated 4-H organizations authorized to use the 4-H name and emblem by the U.S. Department of Agriculture are

not private foundations within the meaning of section 509(a) of the 1986 Code, because they are organizations described in section 170(b)(1)(A)(vi) of the Code. In other words, they are organizations which normally receive a substantial part of their support from a governmental unit or from direct or indirect contributions from the general public.

4

Q. Are contributions to 4-H organizations deductible by donors?

A. Yes. The ruling issued to the Department of Agriculture by the Internal Revenue Service February 9, 1973, states that donors may deduct contributions to 4-H organizations as provided in section 170 of the 1986 Code.

5

Q. Are bequests, legacies, devises, transfers, or gifts deductible?

A. Yes. The ruling issued to the Department of Agriculture by the Internal Revenue Service on February 9, 1973, provides that bequests, legacies, devises, transfers or gifts to 4-H organizations, or for their use, are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the 1986 Code.

6

Q. Are any Extension-related groups other than 4-H organizations covered by the February 9, 1973 ruling?

A. No. Only organizations authorized to use the 4-H name and emblem are covered by the group ruling. Any other Extension-related group must deal directly with the Internal Revenue Service.

7

Q. To what organization was the ruling issued?

A. To the U.S. Department of Agriculture.

Q. What is the appropriate way to refer to the ruling?

A. The Internal Revenue Service group ruling to the Department of Agriculture dated April 24, 1946, and supplemental ruling dated February 9, 1973.

Q. What are the responsibilities of the State Director of Extension Service?

A. To identify responsible agents within the State who are authorized to grant the use of the 4-H name and emblem in accordance with chapter XI, section 8.2 of the Administrative Handbook for Cooperative Extension Work. There should be a responsible agent for 4-H organizations functioning at the State or district level and responsible agents at each area or local level.

Q. What are the responsibilities of the responsible agent?

A. (1) To authorize use of the 4-H name and emblem within the policies of the Cooperative Extension Service and the Secretary of the United States Department of Agriculture. (2) To keep a record of all 4-H organizations to which authority to use the 4-H name and emblem has been granted within the county or multicounty area for which designated agent is responsible. (3) To secure from each organization within his or her area of responsibility authorized to use the 4-H name and emblem a periodic report (at least annually) of its activities. (4) To review each 4-H organization's activities to determine that it continues to meet the particular 4-H objectives for which it was established and that the 4-H name and emblem are used in accordance with the statute. (5) To issue a letter, 4-H Club charter or other certificate of authorization authorizing a group, or volunteer leader to carry out a program of youth activities using the 4-H name and emblem

Q. What are the responsibilities of the individual 4-H organization?

A. To maintain a record of its activities, to maintain a record of contributions received, to prepare and keep on file a record of its financial transactions.

Q. Should a 4-H organization which has obtained tax-exempt status on its own continue to claim exemption under that ruling or refer to the group ruling made to the Department of Agriculture?

A. Generally, it is advantageous for all 4-H organizations to claim their exemption under the group ruling, rather than individually, because this ruling is complete and covers exemption from Federal income taxes, recognition as other than a private foundation, eligibility of donors to deduct contributions, and eligibility for deduction of bequests, gifts, and so forth, for Federal estate and gift tax purposes. However, there may be some instances when it will be preferable for an organization to continue to claim exemption under its original ruling.

(Note: if a 4-H organization which has received its own tax-exempt status determines that it will in the future claim exemption under the group ruling, it should surrender its IRS ruling to the appropriate District Director of Internal Revenue Service and request that it be removed from the list of exempt organizations.) See question 24 regarding use of group exemption number.

Q. Is it necessary that an organization be incorporated to be eligible for inclusion under the group ruling?

A. No. Any affiliated organization duly authorized to use the 4-H name and emblem is eligible for inclusion under the group ruling. The organization should be able to show proof of

its authorization to use the 4-H name and emblem, if requested to do so by the Internal Revenue Service. (Tax exemption status recognized under the ruling does not apply to commercial concerns issued authorization permits to produce specific items for 4-H use.)

Q. Is it necessary for a 4-H organization to be set up as a formal organization with a constitution and by-laws in order to be eligible for inclusion under the group ruling?

A. It is not essential to have a formal organization to be eligible for inclusion under the group ruling. Many 4-H Clubs, 4-H special interest groups and community or county 4-H leader councils function on a rather informal basis. Organizations at the multicounty or State level are usually larger and function on a more formal basis and therefore should be more formally organized with at least a set of by-laws which clearly identify the name, function, and government of the organization. However, section 1.501(c)(3)-1(b)(3) of the IRS regulations requires a written instrument by which an organization is created.

All 4-H Clubs and other 4-H units which receive and/or expend funds, and which are organized on either a formal or informal basis, should have some type of written evidence that recognizes them as a part of the 4-H program conducted by the Cooperative Extension Service. Such evidence should include (a) a copy of a letter or form from the 4-H unit or group to the local Extension agent outlining the type of 4-H unit or group and its purpose and requesting permission to use the 4-H name and emblem in connection with the unit or group, and (b) a reply from the local Extension agent recognizing the group or unit as an official 4-H organization. (See appendix B for samples of letters and form.)

In the case of a 4-H Club, a 4-H charter signed by State Extension officials which indicates the group is organized in accordance with the objectives of the 4-H program would be sufficient. It should be kept in mind that the activities of an organization

Section II—Filing and Reporting Requirements

claiming exemption under the group ruling must be in keeping with the criteria on which the group ruling was issued and is in accordance with Cooperative Extension Service policies and 4-H program objectives.

15

Q. If funds received during a year exceed the disbursements, is the excess subject to Federal income tax?

A. No. Such funds remaining in the treasury of the 4-H organization are exempt from taxes as provided in section 501(c)(3) of the 1986 Code.

16

Q. Is there an annual maximum income that can be received?

A. No. So long as the 4-H organization continues to qualify under section 501(c)(3) of the 1986 Code, there is no limit to the amount of income that can be received or the balance carried over from year to year.

17

Q. Is a gift made to a college or university for 4-H purposes deductible?

A. If the gift or contribution can be specifically identified as being made to a 4-H organization under the group ruling, then it would be deductible as a gift or contribution to a tax-exempt public charity described in section 170(b)(1)(A)(vi). Otherwise, it would be treated as a deductible gift made to a college or university which is a public charity under section 170(b)(1)(A)(ii).

18

Q. Are 4-H organizations exempt under section 501(c)(3) or section 509(a) of the 1986 Code?

A. 4-H organizations are exempt from Federal income taxes because they are described in section 501(c)(3) of the Internal Revenue Code of 1986. They are classified as other than private foundations under section 509(a) of the Code because they are organizations described in section 170(b)(1)(A)(vi) of the Code.

19

Q. Are 4-H organizations required to make reports to the Internal Revenue Service?

A. Yes. 4-H organizations have an obligation to file the Annual Information Return, Form 990 when gross receipts in their tax year normally exceed \$25,000.

20

Q. Were 4-H Clubs prior to January 1, 1970, exempt from the filing of Form 990?

A. Yes. A ruling dated March 15, 1948, relieved 4-H Clubs of filing information returns on Form 990. However, this ruling was nullified because of the 1969 Amendment to the Code.

21

Q. Are all 4-H organizations required to file Form 990?

A. Form 990 must be filed by any 4-H organization that normally has gross receipts of over \$25,000 during the tax year. Gross income should be considered in its broadest term and includes all receipts from gifts, donations, sale of goods, fees, dues, and so forth, without reduction for the cost of goods or assets sold or for expenses.

22

Q. What does it mean to normally have gross receipts of over \$25,000 during the taxable year?

A. Under the Income Tax Regulations it means:

(1) In the case of an organization which has been in existence for 3 years or more, the average of the gross receipts received by the organization in the immediately preceding 3 taxable years, including the taxable year for which the return is filed, is over \$25,000.

(2) In the case of an organization which has been in existence for more than 1 but less than 3 years, the average of the gross receipts received by the organization in the first 2 taxable years is over \$30,000.

(3) In the case of an organization which has been in existence for 1 year or less, the organization has received, or donors have pledged to give, gross receipts of more than \$37,500 during the first taxable year of the organization.

23

Q. When should Form 990 be filed?

A. Internal Revenue Service requires Form 990 to be filed by the 15th day of the fifth month following the close of the accounting period. For example, if a 4-H organization operates on a calendar-year basis, this will be May 15th of each year—May being the fifth month after December 31.

24

Q. What is the 4-H group exemption number (GEN) to be used on Form 990? Is it the same as the employer identification number discussed in question 61?

A. The Internal Revenue Service has assigned a Federal income tax group exemption number to 4-H which must be used by all 4-H organizations and affiliated groups when filing Form 990. This number is 2704. Exception: Those 4-H organizations granted tax exemptions as separate entities should not use the group exemption number. (See question 12.)

This 4-H group exemption number, except as noted above, is being used nationwide. Failure to use the proper number will result in: (1) rejection by the IRS master file computer system of the Form 990 as submitted by the 4-H organization, (2) special review of the submitted information—including comparisons with records for prior years—and other potential consequences or penalties.

The group exemption number is not the same as the employer identification number described in question 61. Each 4-H organization receiving \$10 or more interest in any one calendar year is required to furnish its savings institution with an IRS employer identification number—different for each 4-H organization. (See question 61.)

Both the group exemption number and the employer identification number are required on Form 990 and should be entered in the appropriate spaces on this form.

25

Q. Where should Form 990 be sent?

A. Form 990 should be sent to the Internal Revenue Service Center that processes returns for the State in which the principal office of the organization filing the return is located. The instructions to Form 990 contain a list of Internal Revenue Centers and the areas each covers.

26

Q. If a 4-H organization has an unexpended balance of funds at the end of the year, is it necessary to file Form 990?

A. Whether or not funds are on hand at the end of the year has no bearing on whether a report should or should not be filed. If the gross receipts for the year were normally over \$25,000, Form 990 must be filed.

27

Q. Where can copies of Form 990 and filing instructions be obtained?

A. Contact the local Internal Revenue Service office.

28

Q. Should questions relating to the preparation or filing of Form 990 be referred to the Extension Service, USDA, Washington, D.C.?

A. No. Contact your local Internal Revenue Service office for answers to all questions about Form 990.

29

Q. Is a State Extension director required to make any report to the Internal Revenue Service?

A. No. Each 4-H organization is responsible for reporting direct to the Internal Revenue Service. It should be noted, however, that the State Extension director, through the responsible agent, should be prepared to confirm that an organization has been duly

authorized to use the 4-H name and emblem, should the Internal Revenue Service require it.

30

Q. What are the reporting responsibilities of State Extension directors?

A. State Extension directors make an annual 4-H Youth Enrollment Report to the Administrator, Extension Service, USDA, Washington, D.C. 20250.

31

Q. What are the reporting responsibilities of responsible agents? (See questions 9 and 10.)

A. Responsible agents should submit annually to the State Extension director, a report on 4-H Youth activities. The responsible agent at the State and district levels should maintain a list of multicounty organizations authorized to use the 4-H name and emblem. The county or area responsible agent should maintain a list of organizations under his or her responsibility which have been authorized to use the 4-H name and emblem. Such lists are necessary in the event the Internal Revenue Service feels it necessary to verify that an organization was authorized to use the 4-H name and emblem.

32

Q. Do 4-H organizations have any reporting requirements, other than Form 990?

A. At least annually a 4-H organization should provide the responsible agent with a report on its activities, and prepare a financial statement to be retained in its files. Regardless of whether an annual return on Form 990 is required to be filed, if a 4-H organization has gross income of \$1,000 or more from activities which are not substantially related (aside from the need of the organization for income or funds or the use it makes of the profits derived) to the exercise or performance of

its educational purposes, it must file Form 990-T by the 15th day of the fifth month after the close of its tax year. Form 990-T is filed with the appropriate Internal Revenue Service Center. (See question 25.) Since the term "unrelated business income" refers, however, only to income from an unrelated business activity which is regularly carried on, income from intermittent activities, such as the operation of a sandwich stand for only 2 weeks at a State or county fair, would not be included when determining whether gross receipts from unrelated businesses are \$1,000 or more. The Internal Revenue Code excludes from the definition of "unrelated trade or business," any trade or business activity carried on by a section 501(c)(3) organization where: (1) substantially all the work in carrying on such trade or business is performed for the organization without compensation; or (2) the business activity of the organization is primarily for the convenience of its members; or (3) substantially all of the merchandise sold has been received by the organization as gifts or contributions. Income from such business or trade activities would therefore also not be included in determining gross income from an unrelated trade or business.

33

Q. If a 4-H organization takes in \$3,000 at a food stand at a fair, is any report needed on this?

A. No reporting of specific amounts is necessary unless required by the responsible agent, or other local authority. Any amount received is included in the gross income of the 4-H organization in determining whether the filing of Form 990 is required as explained in question 21. Sales at a food stand at the annual fair would not constitute a trade or business which is regularly carried on.

Section III—Contributions and Donations

34

Q. Are cash donations made to 4-H organizations deductible by donors for Federal income tax purposes?

A. Yes. The Internal Revenue Service, in its ruling dated February 9, 1973, stated that donors may deduct contributions to 4-H organizations as provided in section 170 of the 1986 Code (providing the taxpayer itemizes deductions). 4-H organizations are covered in section 170(b)(1)(A)(vi) of the Code.

35

Q. Can donations of property (such as candy, cake, clothes, and so forth) be treated as a deductible contribution on a donor's tax return?

A. Yes. Generally a donation of property other than cash may be deductible as a contribution to the extent of its fair market value at the time of the gift. (But see question 40.) A gift of property with a fair market value that is more than its cost (or other basis) to the donor may require certain adjustments.

36

Q. Can dues or fees paid to a 4-H organization be deducted as a contribution?

A. Dues, fees, or assessments are deductible as a contribution to the extent they exceed the monetary value of the benefits and privileges received in turn. Except in rare cases, however, 4-H organizations do not have dues.

37

Q. Are purchases of candy, cakes, old clothes at a rummage sale, and so forth, deductible as a contribution by the purchaser?

A. If more than the fair market value is paid for merchandise, goods, and so forth, only the amount paid in excess of the value of the item may be deducted as a charitable contribution.

38

Q. Can the purchase of a raffle ticket be deducted as a contribution?

A. No. The Internal Revenue Service treats all raffles, lotteries, and so forth as gambling regardless of whether or not it is sponsored by a qualified organization, and the cost of a raffle ticket cannot be deducted as a contribution.

39

Q. Can the donation of food to a 4-H recognition banquet, or to other such affairs be deducted as a contribution?

A. Yes. Generally, a donation of property may be deducted as a contribution to the extent of its fair market value at the time of the gift. (But see question 40.)

40

Q. Can the cost of supplies donated for the building of a livestock arena at a local fairground for use of 4-H be deducted as a contribution?

A. If the supplies represent items of ordinary inventory in the hands of the donor, the donor's deduction is limited to his cost basis for the donated property. Special rules are in effect for corporations (other than subchapter S corporations) that may claim a deduction for certain types of ordinary income property, such as inventory items.

41

Q. Can a donation to a 4-H organization be deductible if the donor stipulates that the proceeds are to be used to send his or her child to a specific 4-H function or training program?

A. Contribution earmarked by the donor for a particular individual is treated, in effect, as a gift to the designated individual and is not deductible.

42

Q. A 4-H member is selected to attend a 4-H function or 4-H training course as the representative of a 4-H organization and to report back to the organization for the benefit of all its members. Can a parent deduct the cost of sending the 4-H member to the event?

A. No. A parent is not entitled to claim a tax deduction for expenses incurred by a dependent in attending the training course.

43

Q. What evidence must donors have to support a deduction against Federal income tax?

A. As a minimum, the donor should have a record of articles or cash contributed, the date the donation was made, and the amount of cash donated or the fair market value of goods contributed. If contribution was by check, the canceled check should be retained to support the claim. Where possible, receipts should be obtained.

44

Q. Should receipts be supplied to donors?

A. When practical, dated receipts should be given to donors. The following wording may be used:

"The (name of the 4-H organization) gratefully acknowledges receipts of your donations of \$____, which is deductible as a contribution for Federal income tax purposes under Section 170 of the Internal Revenue Code, pursuant to rulings issued April 24, 1946, and February 9, 1973, by the Internal Revenue Service to the U.S. Department of Agriculture."

Section IV—Out-of-Pocket Expenses of 4-H Volunteers

45

Q. Are contributions made by 4-H adult and youth volunteer leaders to the 4-H program deductible as contributions for Federal income tax purposes?

A. Not all contributions are deductible, but many are. The following series of questions will help define those contributions which are deductible and those which are not.

46

Q. Who is a volunteer?

A. Any person, adult, or teen, in a leadership capacity who contributes time to the promotion, organization, assistance, or leadership of a 4-H organization, and is not paid for services rendered is a volunteer.

47

Q. Are contributions of out-of-pocket expenses deductible?

A. Generally, out-of-pocket expenses are deductible as contributions when these are paid in connection with services to a 4-H organization.

48

Q. Are contributions of time or services deductible?

A. No. Under present Internal Revenue Service regulations, contributions of time or services are not deductible.

49

Q. Who may claim a deduction?

A. The taxpayer, and spouse if a joint return is filed, may claim as a charitable contribution, out-of-pocket expenses in connection with service to a 4-H organization if deductions are itemized.

50

Q. Can out-of-pocket expenses incurred by a teenage dependent as a 4-H member participant be claimed as a deduction on a parent's income tax return? (See question 52.)

A. No. Only out-of-pocket expenses incurred by the taxpayer, and spouse if a joint return, in connection with provision of service may be claimed.

51

Q. What types of out-of-pocket expenses are deductible?

A. Generally, amounts spent for fees, materials, awards, traveling expenses (including meals, lodging, and cost of transportation) are deductible when unreimbursed.

Personal assets such as supplies "consumed" (used up) in 4-H meetings, (typewriter ribbons used in preparation of newsletters, notebooks or materials, refreshments for meetings, and so forth) are deductible. However, use of the typewriter or other equipment is not deductible since it is not used up.

If privately-owned vehicles are used for transportation, a mileage fee not to exceed the maximum fee allowable is deductible. (Check with your local IRS office for the maximum mileage fee.) In addition to the mileage costs, parking fees and tolls may be included. If the actual cost of oil and gas is available, this may be given in lieu of the mileage rate. Depreciation and insurance on the vehicle are not deductible nor fines paid as a result of speeding, etc. There is no deduction for the cost of food consumed by the volunteer while attending a 4-H meeting unless it is necessary to stay overnight.

52

Q. Are out-of-pocket expenses deductible in connection with 4-H leadership training?

A. Yes. The types of expenses as in question 51 are deductible by volunteer adults and 4-H junior or teen leaders filing individually on their own returns providing they itemize their deductions.

53

Q. Can members of official 4-H committees and boards deduct out-of-pocket expenses?

A. Any out-of-pocket expenses incurred by members of official 4-H committees and boards in connection with their duties for which they are not compensated are deductible. (See also question 51.)

54

Q. Can the cost of hiring a babysitter be deducted as an out-of-pocket expense?

A. No. The cost of hiring a babysitter solely for the purpose of devoting time as a volunteer to a 4-H organization may not be deducted.

55

Q. If a volunteer pays his or her own traveling expenses (including meals, lodging, cost of transportation, and so forth) to attend a leadership training session and is then reimbursed by the 4-H organization, how is this treated on the Federal income tax return?

A. If the amount reimbursed to the volunteer was the exact amount of out-of-pocket expenses, it is not necessary to report anything on the tax return; there is no reportable income and no deductible expense. If the amount received by the volunteer exceeded the out-of-pocket costs, the amount received in excess of the cost should be reported as income. If the amount of reimbursement was less than the out-of-pocket costs, then this excess of cost over reimbursement may be treated as a deduction.

56

Q. Should a volunteer keep a record of out-of-pocket expenses to support deductions for Federal income tax purposes?

A. Each taxpayer must keep in mind that when deductions are itemized on a tax return, the taxpayer must be prepared to prove the deduction if the Internal Revenue Service should so require. Therefore, each taxpayer should have a valid receipt or canceled check to support each deduction. In many cases, it is impractical or impossible to obtain receipts for out-of-pocket costs. In such cases, the Internal Revenue Service will generally accept a chronological record of such costs. The record should show, as a minimum, the date, the nature of the cost, and the amount. Where mileage is involved, there should also be shown the miles traveled.

57

Q. Are 4-H camps and training centers exempt under the ruling of February 9, 1973?

A. 4-H camps or training facilities owned and operated as a 4-H organization and used predominately to further 4-H objectives, are exempt as are other 4-H organizations.

58

Q. Can working parents who send their 4-H children under age 13 to summer camps claim a credit on their Federal income tax returns for the expenses incurred in sending their children to summer camps?

A. Under the Child and Disabled Dependent Care Credit, working parents may take tax credits of 20 to 30 percent of the money they spend on child care, actual amount depending on the taxpayer's adjusted gross income. Day camp expenses qualify as deductible child care expenses, but any money spent for education or transportation to and from camps does not. For a camp-related credit, the requirements include: (a) children must be qualifying dependents either under age 13 or unable to care for themselves, (b) parents must be either working or looking for work and must have income from work during the year for which a credit is claimed, (c) parents must keep a home that is shared with one or more qualifying dependents. Credit for expenses incurred in sending children to summer camps can be claimed whether or not deductions are listed. If parents of 4-H'ers believe they qualify, they may wish to consult further with their local IRS office.

59

Q. Can a family that is hosting a 4-H member or other youth from another State or country as a part of a 4-H exchange/international/citizenship program deduct any costs of this hosting from their income tax? (For example, cost of food, transportation, and lodging.)

A. Host families may deduct up to \$50 per month for expenses in connection with hosting a 4-H member or

other youth from another State or country provided the youth is enrolled as a full-time student in the 12th or lower grades. Because of this school requirement, participants in programs such as the IFYE program would not qualify for the deduction. However, if a 4-H group is sponsoring a foreign student in cooperation with another organization as a part of a 4-H international/citizenship project and this youth is enrolled in school, the host family would qualify for a deduction up to \$50 for each calendar month. A period of 15 or more days in a month is a full calendar month for tax purposes. Amounts paid for books, tuition, food, clothing, and entertainment of the student qualify for the deduction. If host families are compensated or reimbursed for the costs of having a student live in their home, they may not take a deduction for any part of these costs. However, they may be able to take the deduction if they are reimbursed only for extraordinary or nonrecurring items such as a hospital bill or vacation. The student must be a member of the host family's household under a written agreement between them and a qualified organization. Purpose of the agreement must be to provide educational opportunities for the student.

If you have questions on this, please contact your local IRS office for additional information.

60

Q. Is it necessary that each 4-H organization have a separate bank account?

A. It is not necessary that a 4-H organization have a bank account in order to be tax exempt. It is necessary that the organization have records showing the amount of funds received and the source of those funds; and, the amount of funds expended and the purpose of the expenditures. However, the funds of a 4-H organization cannot be commingled with those of any other organization which is not tax exempt under section 501(c)(3).

Q. Must a 4-H organization receiving interest in any one calendar year furnish its savings institutions with an Internal Revenue Service Employer Identification Number? If so, how can this be obtained?

A. Even though they are exempt from Federal income taxes, 4-H organizations receiving \$10 or more interest in any one calendar year are required to furnish their savings institutions with an Internal Revenue Service (IRS) Employer Identifying Number. This is in accordance with 26 USC 6049 and 26 USC 6109.

Further, as a result of recent tax law changes, all banks are required to submit records to IRS of interest they have paid to individuals, organizations, and so forth. Failure on the part of banks to provide this information to IRS may result in a penalty to the banks. Therefore, all banks will be requiring Employee Identification Numbers from all organizations authorized to use the 4-H name and emblem who receive \$10 or more interest in any one calendar year. Banks are required to withhold 20 percent of the interest earned until the organization provides the number.

An identifying number may be obtained by filing an Application for Employer Identification Number (Form SS-4) with IRS. Although the form was designed primarily for organizations paying wages, it is also used by all organizations who are required to have an identifying number. The applications may be obtained from any Social Security Administration or IRS office. The completed form should be mailed to the IRS office handling your area's Federal income tax returns. When completing item 10 on the form for "Nature of Business," use either 4-H Club or affiliated 4-H organization—whichever is appropriate for the group making the application. We recommend that you notify all "responsible agents" at local and district levels in your State and have them inform 4-H Clubs and affiliated 4-H organizations in their areas of the IRS requirement—and where possible, secure copies of Form SS-4 for each 4-H Club or affiliated 4-H organization.

When you receive the IRS Employer Identification Number, be sure to enter this number on all correspondence and forms submitted to the Internal Revenue Service including Form 990 if a 4-H organization is reporting gross receipts of over \$25,000.

4-H units need apply only one time for the Employer Identification Number and then use it for any subsequent reporting. Since this number is issued in the name of a 4-H unit, it is important that banks be notified of any change in the address of the 4-H unit and/or treasurer.

If possible, when a 4-H unit is disbanded, please notify the District Internal Revenue Service office so that the Employer Identification Number can be cancelled for the unit.

Note: The Employer Identification Number is not the same as the 4-H group exemption number explained in question 24. Both numbers, however, must be included on Form 990, in the appropriate places, by those 4-H organizations required to file this form.

Q. Are within-State tax-exempt numbers required for 4-H to be eligible for State tax exemption?

A. Some States make special provisions for tax-exempt organizations and establish a State tax-exempt number (or other identification) for within-State tax purposes. This should not be confused with the IRS number identified above. Since each State's tax laws are unique to the individual State, it will be necessary for you to check with your own State taxing authority.

Q. If a 4-H organization is not complying with the provision of title VI of the Civil Rights Act of 1964, are they eligible for tax-exempt status?

A. If a 4-H organization is not in compliance with title VI of the Civil Rights Act of 1964, it is the responsibility of the State director of Extension to withdraw the right to use the 4-H name and emblem, thus removing their eligibility for tax-exempt status.

Q. If a local organization, such as Kiwanis Club, Chamber of Commerce, Lions Club, and so forth, is raising funds for a 4-H project, should donations be made to the local fundraising organization or should they be made directly to the 4-H organization?

A. While contributions to a local organization, such as Kiwanis Club, Chamber of Commerce, and so forth, which are earmarked exclusively for a 4-H program, may be deductible as charitable contributions, the better practice would be to have the local fundraising organization have the funds paid directly to the local 4-H organization in order to insure their deductibility as charitable contributions.

Q. Must Social Security contributions be made for employees of 4-H camps, fair assistants, part-time paraprofessionals, and so forth?

A. As a result of recent changes in the Social Security Act, all charitable/educational organizations (unless specifically exempted) must make Social Security contributions for each employee who is paid \$100 or more in a calendar year. This could include employees of 4-H camps, fair assistants, part-time paraprofessionals. The organization paying salaries of these individuals is liable for the payment of Social Security taxes.

To find out if any of these employees would be excepted, please check with your local Social Security office.

Q. Where can additional information, clarification on matters relating to deductions, or answers to tax questions be obtained?

A. Any questions relating to Federal income tax matters should be referred to the local Internal Revenue Service Office.

Appendix A—IRS Letter



Internal Revenue Service

Washington, DC 20224

Date: **FEB 9 1973** In reply refer to: T:MS:EO:R:5

Mr. Edwin L. Kirby
United States Department of
Agriculture, Extension Service
Washington, D. C. 20250

Dear Mr. Kirby:

This is in reply to your letter dated January 18, 1971, in which you request rulings that all of the various 4-H clubs and affiliated 4-H organizations under the control of the Extension Service of the United States Department of Agriculture be classified as organizations other than private foundations, and that they be granted relief from filing annual returns of information. You have also requested that all affiliated 4-H organizations under the control of the extension Service be included in our original ruling of April 24, 1946, which granted recognition of exemption to 4-H clubs.

This original ruling issued to the Department of Agriculture of April 24, 1946, recognized that 4-H clubs were exempt from Federal income tax under section 101(6) of the Internal Revenue Code of 1939, which corresponds to section 501(c)(3) of the 1954 Code.

On March 15, 1948, a ruling was issued holding that the filing of information returns on Form 990 by 4-H clubs was not required.

Your letter of November 22, 1954, raised the question as to whether affiliated 4-H organizations were also intended to be included in our ruling of April 24, 1946. Our ruling of September 23, 1960, held that our ruling of April 24, 1946, was meant to include only the 4-H clubs, and concluded that, although the affiliated 4-H organizations have an ultimate objective of furthering the 4-H program, they were too diversified as to purposes and activities to be included in the original ruling.

On the basis of information contained in your letter of January 18, 1971, and subsequent information submitted we have concluded that all of the affiliated 4-H organizations authorized to use the 4-H emblem by the Department of Agriculture are so organized and operated under the control of the Extension Service as to make them eligible for inclusion in our original ruling of April 24, 1946.

Donors may deduct contributions to 4-H clubs and affiliated 4-H organizations as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to them or for their use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

We also rule that both 4-H clubs and affiliated 4-H organizations authorized to use the 4-H emblem by the Department of Agriculture are not private foundations within the meaning of section 509(a)(1) of the Code, because they are organizations described in section 170(b)(1)(A)(vi) of the Code.

Your request for a ruling under section 6033 of the Internal Revenue Code on information return filing requirements was the subject of a separate communication to you dated July 25, 1972, wherein you were advised that the Commissioner's discretionary authority to relieve the organizations from the filing requirements of section 6033 of the Code would not be exercised at this time.

We are informing our key district offices of this action. Please keep this ruling letter in your permanent records.

Sincerely yours,

J. A. Tedesco

Chief,
Exempt Organizations Branch

Appendix B—Sample Letters and Forms

(Request)

John Smith
County Extension Agent
Court House
Someplace, Minnesota 55741

Dear Mr. Smith:

A group of 7 boys and 12 girls would like to begin a 4-H Club (unit) in our town. This group plans to meet every other Wednesday. I have been asked to serve as one of their volunteer leaders.

This letter is to request authorization from your office to use the 4-H name and emblem in connection with this 4-H Club (unit). We would also like to have information on the types of projects available, how to get project materials, and any other information we will need to complete our becoming organized as an official 4-H Club (unit).

Since the group plans to meet within the next 2 weeks, we would appreciate having a reply as soon as possible.

Sincerely,

Jane Doe
2400 12th Street
Location, Minnesota 55708

(Reply)

Jane Doe
2400 12th Street
Location, Minnesota 55708

Dear Ms. Doe:

Thank you for your letter and for your interest in serving as a 4-H leader for a new 4-H Club (unit). Enclosed are the materials you requested to complete your 4-H Club (unit) enrollments.

I am pleased to welcome your group to 4-H and to authorize the use of the 4-H name and emblem in connection with the club's (unit's) program and activities. If I may be of assistance to you, please let me know.

Sincerely,

John Smith
Local Extension Agent

Enclosures

(Sample Form)

**REQUEST FOR OFFICIAL APPROVAL FOR ESTABLISHMENT OF NEW 4-H
UNIT**

Name of Group _____

Type of 4-H Group _____
(4-H Club, 4-H Special Interest Group, County 4-H Leaders
Council, and so forth)

Purposes of Group:

(To carry out a 4-H Bicycle Care and Safety Program.)

or

(To carry out a continuous 4-H Club program serving the needs of youth in
Newpark Community, providing them a variety of 4-H project learning
opportunities.)

or

(To establish a continuing county 4-H support function including securing
private funds and other resources for county-wide 4-H programs.)

Volunteer Leader or Other Person in
Charge of 4-H unit _____

OFFICIAL APPROVAL FOR NEW 4-H UNIT

On the basis of the above purpose(s), the _____
(name or type of group)

is authorized to use the 4-H name and emblem in connection with its program
activities and is considered an official 4-H unit of the Cooperative Extension
Service.

(County Extension Agent
or
State 4-H Leader)